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SUBJECT: BRAZIL: GREATEST (ECONOMIC) HITS OF 2004

1. Economically speaking, Brazil had an outstanding year in 2004, with the country by all accounts poised to embark upon a path of continued, sustainable growth. Below we have set forth a short list of the year's "greatest hits." While there is more that the GOB needs to do sustain such growth levels - including, for instance, improving the investment and regulatory climate - to date, the GOB economic team has put together an impressive string of achievements.

2. Begin List.

-- GDP expanded at a rate of 5 percent, the best result since 1994.

-- Brazil is closing in on Mexico as the Latin American country with the highest GDP (in dollar terms). According to some private sector estimates, by the end of 2005 Brazilian GDP should stand reach US\$634 billion - only \$57 billion behind Mexico.

-- Between Dec. 2003/Nov. 2004, industrial production surged 8.1 percent, the biggest increase since 1986.

-- Consumer price inflation (IPCA index) dropped to 7.6 percent, down from 9.3 percent in 2003.

-- The Brazilian economy generated 1.52 million formal sector jobs in 2004, the highest total since the GOB initiated this data series (in 1992).

-- 2004 saw a current account surplus of US\$11.3 billion and a record trade surplus of US\$33.6 billion.

-- To the delight of international markets, the GOB raised its primary surplus target (net revenues minus expenditure/GDP) from 4.25 percent to 4.5 percent. With a final primary surplus of 4.6 percent, Brazil not only met - but exceeded - its revised target.

-- Net debt to GDP ratio declined from 57.2 percent to 52 percent, coming tantalizingly close to dropping below the 50 percent level - a sine qua non if Brazil is to acquire investment grade status for its sovereign debt.

-- Moody's raised its outlook on Brazilian sovereign external debt from stable to positive.

-- The Lula administration garnered congressional approval of three of its key micro-reforms: a new bankruptcy law, a public-private partnership regime, and a judicial streamlining package.

-- Brazil is now the world's largest producer and exporter of coffee, orange juice, iron ore and sugar; world's second largest producer - and first largest exporter -- of soybeans, beef, and chicken. Industrial production has kept pace: Brazil is the world's fourth largest aircraft maker; the world's eighth largest steel and software producer; and world's eighth largest cell phone market.

-- Exports in 2004 reached an all-time record at US\$ 96 billion, substantially over the GOB's original target of US\$ 73 billion.

-- In 2004, 865 new Brazilian companies - primarily small and medium-sized enterprises, entered the export market.

-- Exports from Brazil's metals industry surged 41 percent as the country enjoyed a record year for sales abroad.

-- Power generation capacity expected to increase by 4,472 MW in 2005 as 15 new hydro-electric plants will start commercial operations.

End List.

Danilovich